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**FISCAL IMPACT STATEMENT**

**LS 7501**

**BILL NUMBER:** HB 1564

**NOTE PREPARED:** Feb 1, 2007

**BILL AMENDED:**

**SUBJECT:** Health Matters.

**FIRST AUTHOR:** Rep. Crawford

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** *Medicaid Managed Care Organization Requirements:* This bill requires a managed care organization (MCO) to provide specified recipients with: (1) early periodic screening, diagnosis, and treatment (EPSDT) services; and (2) lead screening; and to annually document the provision of these services to the Office of Medicaid Policy and Planning (OMPP).

*Dialysis Facility Licensure:* The bill establishes the Dialysis Facility Council, and requires dialysis facilities to be licensed by the State Department of Health. The bill makes it a Class A misdemeanor for a person to knowingly or intentionally operate or advertise the operation of a dialysis facility without a license.

*HEDIS Planning Requirements:* The bill also requires the State Department of Health (ISDH) to develop and provide a plan to ensure that health benefit plan providers in Indiana comply with certain data measures.

**Effective Date:** Upon passage; July 1, 2007.

**Summary of Net State Impact:** *Medicaid Managed Care Organization Requirements:* OMPP contracts with the MCOs currently require compliance with EPSDT and blood-lead screening requirements. OMPP encounter data and quality measurements required through HEDIS reporting may be considered to meet requirements for annual reporting provided in the bill.

*Dialysis Facility Licensure:* Additional state funds necessary to provide for state licensure of dialysis facilities are estimated be between \$370,000 to \$555,000 annually, depending on implementation. License fees of an undetermined level, will be collected and deposited in the state General Fund, offsetting some of the cost. If the fees are conservatively assumed to be \$500 collected annually, the net cost of this provision

may be estimated in a range of \$318,000 to \$503,000.

*HEDIS Planning Requirements:* The ISDH is required to determine the current level of compliance of fewer than 50 health benefit plans and to recommend how to bring them into compliance with the specified program. This provision should be accomplished within the current level of resources available to the ISDH.

**Explanation of State Expenditures:** *Medicaid Managed Care Organization Requirements:* The bill requires OMPP to require an MCO that contracts with the Office to provide the MCO's enrolled Medicaid recipients with EPSDT services and to screen children under age 6 for lead poisoning. The MCO is required to document the provision of the services and submit the documentation to OMPP at least annually. EPSDT services are a federally required component of the Medicaid program. Lead screening for children under age 6 is also a required component of the EPSDT program. OMPP reports that EPSDT requirements are included in the MCO contracts within the scope of work provisions and the performance targets and benchmarks. Additionally, the incentive program includes blood-lead screening as a potential pay for performance priority. OMPP also reported that the MCO contracts provide incentives for providers through enhanced payments for the provision of EPSDT services, such as immunizations and screening services.

*Managed Care Organization Reporting Requirement:* The bill requires the MCOs to document the provision of EPSDT services and blood-lead screening and annually submit the documentation to the Office. OMPP reported that MCOs submit encounter data weekly that includes blood-lead screening and EPSDT services. In addition, the MCOs are required to annually report on 23 Health Plan Employer Data and Information Set (HEDIS) to the National Committee for Quality Assurance Measures (NCQA). Several of these measures relate to components of the EPSDT requirements. NCQA audits the data submitted to it as well. The fiscal impact of this provision would depend on whether OMPP determines the current level of documentation is compliant with the requirements in the bill.

*Dialysis Facility Licensure:* The bill establishes the Dialysis Facilities Council to consist of 9 members; the Commissioner of the Department of Health and 8 lay members to be appointed by the Governor. Members of the Council are entitled to a \$50 per diem and travel expenses. The Council is to propose rules pertaining to the licensure, operation, and management of a dialysis facility and rules pertaining to the establishment of standards for equipment, facilities, and staffing. The State Department of Health is required to staff the Council and fund the expenses.

The bill requires that a dialysis facility must be licensed by the state in order to operate in the state. Currently, the 104 dialysis centers in the state are certified for Medicare and Medicaid. All inspections and requirements for the facilities use only federal standards; the certification program is 100% federally funded. The certification program is budgeted by the Centers for Medicare and Medicaid Services (CMS) to cost \$370,000 for FFY 2007. Federal certification inspections are conducted once every three years. State licensure requirements that are more stringent than the federal certification requirements will require 100% state funding. Federal funds should still be available at a conservatively estimated match rate of 50%.

If it is assumed that the ISDH licensure requirements and regulations will require from 2 to 3 times more resources than the resources budgeted for the federal certification program, additional state funding in a range of \$370,000 to \$555,000 is estimated to be required to implement the provisions of this bill. [This information will be updated with a detailed estimate from the Department when it is available.]

The bill requires the Department to annually prepare and publish on its Internet website information

regarding location, inspection results of each dialysis facility, information about remedial or licensure actions taken against a facility, and any other information the Department believes would assist a consumer. The ISDH web site currently has a listing of all certified dialysis facilities with addresses and contact information. The cost associated with the additional information is assumed to be included in the estimated additional state cost for the licensure program discussed above.

*HEDIS Planning Requirements:* The bill requires the State Department of Health to develop a plan to ensure that all health benefit plans doing business in Indiana comply with HEDIS of the NCQA. The plan is required to include an assessment of current compliance by health benefit plans and a determination of the actions necessary to achieve compliance. The plan is to be submitted to the Legislative Council not later than December 31, 2007. The Department of Insurance reported that approximately 50 companies provide health benefit plans in the state. This number includes health maintenance organizations (HMOs) that are currently required to provide HEDIS information to the Department of Insurance. (HEDIS was originally designed to provide purchasers and consumers with information to reliably compare the performance of managed health care plans.) The Department of Insurance is currently required by statute to receive data submitted from NCQA by the HMOs, analyze the data, and post it on their web site.

The Department of Health would need to compile an assessment of current compliance of non-HMO health benefit plan providers and the actions necessary to bring them into compliance.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. In FY 2006, the Department of Health administration account reverted \$2,912,557 to the General Fund.

*Appropriation Background:* The ISDH administrative appropriations were made from the dedicated Tobacco Master Settlement Agreement Fund for FY 2006 and FY 2007. The funding source of the FY 2008 and FY 2009 ISDH administrative appropriations will be determined by the General Assembly

**Explanation of State Revenues:** *Dialysis Facility Licensure:* The bill requires dialysis facility state licenses to be issued annually and provides that a license fee is to be adopted by the ISDH for the license and annual renewals. If a fee is established at \$500 and all 104 certified dialysis facilities maintain operations and meet the licensure requirements, revenue of \$52,000 would be generated to offset some of the additional state expenditures. This estimate is provided for illustration purposes only; the Department of Health would ultimately determine the level of the fee to be charged.

*Civil Penalties:* The bill provides that the Department may assess civil penalties in amounts not to exceed \$10,000 for violations of the provisions of the bill and the associated rules required to be promulgated. Civil penalties are deposited in the General Fund.

*Penalty Provision:* The bill provides for a Class A misdemeanor for knowingly or intentionally operating an unlicensed dialysis facility. If additional court cases occur as a result of the operation or advertisement of an unlicensed dialysis center, and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any additional revenue would likely be small.

**Explanation of Local Expenditures:** *Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail.

**Explanation of Local Revenues:** *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

**State Agencies Affected:** State Department of Health; OMPP.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Terry Whitson, Assistant Commissioner, Regulatory Services, State Department of Health; [www.ncqa.org/programs/hedis/](http://www.ncqa.org/programs/hedis/); Carol Cutter, Deputy Commissioner for Health Policy, Indiana Department of Insurance; and Hoosier Healthwise State MCO Contract, Attachment D: MCO Scope of Work.

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